

Message Text

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ACTION EB-07

INFO OCT-01 AF-10 ARA-06 EUR-12 EA-07 IO-13 ISO-00

L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00

AID-05 CIAE-00 COME-00 INR-07 LAB-04 NSAE-00

OIC-02 EPG-02 SIL-01 STR-04 TRSE-00 CEA-01 SS-15

NSC-05 NEA-10 /128 W

-----242125Z 022403 /70

R 241341Z MAY 77

FM USMISSION GENEVA

TO SECSTATE WASHDC 7608

INFO AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CANBERRA

AMCONSUL DURBAN

AMEMBASSY LONDON

AMEMBASSY MANILA

AMEMBASSY OTTAWA

AMEMBASSY PRETORIA

AMCONSUL RIO DE JANEIRO

AMEMBASSY SANTO DOMINGO

AMEMBASSY TOKYO

C O N F I D E N T I A L GENEVA 4046

E.O. 11652: GDS

TAGS: UNCTAD ETRD

SUBJECT: SUGAR NEGOTIATIONS: IMPASSE AT BIG TEN MEETING OF MAY 22

REF: GENEVA 3930

1. SUMMARY: THE BIG SEVEN EXPORTERS (CUBA, BRAZIL, DOMINICAN REPUBLIC, PHILIPPINES, ARGENTINA, SOUTH AFRICA AND AUSTRALIA) MET THE BIG THREE IMPORTERS (US, JAPAN AND

CANADA) SATURDAY EVENING, MAY 21 FOR A FURTHER NEGOTIATING SESSION AIMED AT GETTING SUGAR NEGOTIATIONS OUT OF THE CONFIDENTIAL

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IMPASSE OVER MINIMUM STOCKS, WITH US HOLDING FIRM FOR A 3.2 MILLION TONS. PRICE DISCUSSIONS ALSO CAME INTO PLAY, WITH IMPORTERS PROPOSING VARYING 8, 9 OR 10 CENTS FIGURES AS MINIMUM PRICES IN DIRECT PROPORTION TO SIZE OF STOCK EXPORTERS ARE WILLING TO HOLD. EXPORTER PROPOSAL FOR FINANCING OF INTEREST CHARGE ON COST OF HOLDING STOCKS BY IMPORTERS WAS CAREFULLY ANALYZED BY US DEL AND REJECTED

BY ALL IMPORTERS AS IMPRACTICAL AND IMPOSSIBLE TO NEGOTIATE
IN FIVE REMAINING IN CONFERENCE. EXPORTERS SAID DISCUSSIONS
HAVE TO BE MOVED TO THE 15 MEMBER GROUP, CHAIRED BY CONFERENCE
CHAIRMAN JONES-PARRY. END SUMMARY

2. US, AFTER A CAREFUL TECHNICAL EXAMINATION OF LATEST
EXPORTER PROPOSAL FOR A STOCK FINANCING SCHEME (REFTEL) JOINED
CANADA AND JAPAN IN REJECTING THE IDEA AS UNSOUND ECONOMICALLY
AND IMPOSSIBLE TO NEGOTIATE IN THE FIVE DAYS REMAINING IN
THE CONFERENCE.

3. US DEL EXPRESSED PESSIMISM ON TECHNICAL AND PRACTICAL GROUNDS
RELATIVE TO JOINING AN AGREEMENT, UNLESS IT CONTAINS ADEQUATE
STOCK LEVELS. HE POINTED OUT A TEN CENT MINIMUM PRICE WOULD
GENERATE CONSIDERABLE RESOURCES WHICH WOULD BE AVAILABLE TO
EXPORTERS TO CARRY STOCKS. CANADA (EASTUM) AND JAPAN
(MIZOGUCHI) JOINED US IN DEMAND FOR LARGER STOCKS AND SUPPORTED
10 CENT MINIMUM AS TRADE-OFF FOR STICKING. WHEN THE US
REPEATED ITS NEED FOR 3.2 MILLION TONS OF STOCK, JAPAN SAID
AN INTERNATIONAL SUGAR AGREEMENT (ISA) WOULD NOT WORK WITHOUT
THE US. EXPORTER SPOKESMAN RAFFAELLI OF BRAZIL SAID US WILL
BE BLAMED FOR ANY FAIRLURE OF CONFERENCE.

4. CUBA (CABRISAS) CLAIMED EXPORTERS HAVE MADE MOVEMENT
IN SPITE OF THEIR INTERNAL DIFFERENCES, BUT SAID ISSUE
WOULD HAVE TO BE DEALT WITH IN A LARGER GROUP. HE SAID
"WE ARE NOT ASSUMING GUILT." CABRISAS SAID A 9 TO 10 CENT
MINIMUM DOES NOT MAKE CUBA'S 15 CENT MINIMUM LOOK SO FOOLISH.

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5. AUSTRALIA (DUFTY) MADE A LONG INTERVENTION ON THE COSTS
TO EXPORTERS OF AN AGREEMENT, ESPECIALLY ON HAVING A LARGE
STOCK COMPONENT. THE US AND CANADA RESPONDED BY SHOWING THE
FINANCIAL GAINS TO EXPORTERS IN AN AGREEMENT.

6. ARGENTINA SAID THE US IS OVEREMPHASIZING THE QUESTION
OF CONSUMER PROTECTION AND EXPECTS THE LDC EXPORTERS TO
CARRY ALL THE BURDEN OF THAT PROTECTION.

7. THE NEXT STEP IS LIKELY TO BE TAKEN IN THE LARGER
CHAIRMAN'S GROUP, BUT REAL PROGRESS IS MORE LIKELY TO TAKE
PLACE IN SMALLER CONTACT GROUPS.

8. COMMENT: KEY ISSUE BLOCKING FORMATION OF A PACKAGE
APPEARS TO BE US INSISTENCE ON SUBSTANTIAL MINIMUM STOCKS
(3.2 MILLION TONS) VERSUS AN EXPORTER OFFER OF ONLY
1.2 MILLION TONS. SINCE CUBA HAS NOT MOVED FROM ITS HARD
LINE INITIAL POSITION ON NO CHANGE FROM THE 1968 AGREEMENT
THERE'S A MAJOR QUESTION ON WHETHER CUBA COULD AGREE TO

ANY PACKAGE WORKED OUT AMONG OTHER MAJOR EXPORTERS AND IMPORTERS. FURTHER EFFORTS IN THE LARGER CHAIRMAN'S GROUP WILL BE MADE BUT REAL PROGRESS IS MORE LIKELY TO TAKE PLACE IN SMALLER CONTACT GROUPS. CUBA IS ALREADY EAGER TO SHIFT ANY BLAME FOR FAILURE TO OTHERS, INCLUDING US AND EC, SINCE CUBA HAS BEEN THE DELEGATION LEAST WILLING TO NEGOTIATE THUS FAR. CANADA AND JAPAN WILL TAKE ALL MEASURES TO AVOID BLAME. SORENSON

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